



United States Department of Agriculture  
Rural Development  
4949 Kirschling Court  
Stevens Point, WI 54481  
(715) 345-7620 FAX (715) 345-7699  
TTY (715) 345-7614  
e-mail: RD.SFH.SO@wi.usda.gov

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SUBJECT: Wisconsin Rural Development Guaranteed Rural Housing (GRH) Update

TO: Approved GRH Lenders, Originators, and Loan Servicers

Following is important information regarding the funding status and program delivery of Wisconsin's GRH loan program. Please distribute this information to all of your branch offices, correspondent banks, or mortgage originators that originate GRH loans in Wisconsin.

#### GRH FISCAL YEAR 2004 FUNDING STATUS

While we have not officially received our FY 2004 allocation of GRH funds from the national budget, we have received ample funds to keep the GRH program operating smoothly. Our fiscal year to date loan activity through the end of February was \$33.7 million which is a 29% increase over our loan volume in February 2003. Thank you for your tremendous support of the GRH program during the winter months. We are on track to do well over \$100 million this year!

#### UPDATES TO ORIGATION AND SERVICING HANDBOOKS

The "What's New?" link on the GRH Loan Origination and Servicing Handbook page has been updated to include copies of all recently issued Administrative Notices (ANs) and the new WI Local Office service area map referred to in this Lender Memo. New GRH program information can be accessed at this link for viewing instead of attaching multiple documents to this correspondence. The address for this page is:

<http://www.rurdev.usda.gov/wi/programs/rhs/grh/handbook/new.htm>

The "Million Dollar Lenders" link has been added to the Single Family Housing Guaranteed Loans webpage to include links to approved GRH lender websites who originated more than \$1 million during the past fiscal year. Contact information was also added to recognize individual loan originators and mortgage brokers who originated \$1 million in GRH loans during the past fiscal year. The address for this page is: <http://www.rurdev.usda.gov/wi/programs/rhs/grh/index.htm> Hopefully, this information will assist GRH applicants, home builders and real estate agents in locating experienced GRH lenders in Wisconsin.

#### NEW AREA DIRECTOR

Brian Deaner was recently promoted to the position of Area Director. He is located in the Area Office in Menomonie, Wisconsin and can be reached at (715) 232-2614, ext. 4. Brian brings over

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20 years of residential, commercial, and agricultural lending experience with USDA to this position. He will be overseeing the delivery of all Rural Development programs from the four Local Offices that are located in northwestern part of the state. Feel free to contact Brian or any of our Area Directors for more information on the availability of Rural Development programs in your area. The new RD service area map can be viewed at:

<http://www.rurdev.usda.gov/wi/programs/rhs/library/WI-Local-Office-Service-Area-Map.pdf>

#### UNDERWRITING ANs REISSUED

Recently four applicant and property underwriting ANs were reissued to summarize the GRH program's requirements in the areas of repayment ratio waivers, analysis of payment shock, acceptable appraisal formats, and existing dwelling inspection requirements. RD ANs 3936, 3940, 3934, and 3933 substantially restate the underwriting guidance given to lenders through RD ANs 3817, 3818, 3816, and 3829 that have previously expired. The underwriting guidelines require lenders to analyze the layered risk within a file (especially payment shock) and to properly document ratio waivers and credit waivers. Lenders must also identify legitimate compensating factors that justify and offset the exceptions that they are making to the normal GRH underwriting criteria. The appraisal formats that may be used for the GRH loan program include the URAR, Form 2055 Quantitative Analysis Appraisal Report, and the Individual Condominium Unit Appraisal Report. Lenders may use the current version of the HUD VC form along with documentation to verify that RD thermal standards have been met to determine property suitability. Wisconsin lenders are encouraged to continue the use of the "Inspection Report for Purchase of Existing Homes" (rev. 01-01-02) since this format covers both the HUD and RD thermal requirements on a single form.

#### FORECLOSURE AND REO ANs REISSUED

Recently three loan liquidation and REO property management ANs were reissued to summarize the GRH program's requirements in the areas of acceptable foreclosure timeframes; occupied REO inspection, valuation and loss claims; and acceptable liquidation fees and costs. RD ANs 3935, 3939, and 3941 substantially restate the loan liquidation and property management guidance given to lenders through RD ANs 3784, 3715, and 3815 that have previously expired. Any questions regarding these ANs or other loan liquidation procedures should be directed to Rural Housing Specialist, Sue Kohnen, at 1-866-GRH-3600, ext. 115.

If you have any questions regarding this memo, call 1-866-GRH-3600 and ask for a Guaranteed Housing Specialist.

*/s/ Cheryl L. Halvorson for*

PETER G. KOHNEN  
Rural Housing Program Director

PGK: pjb